

## Negative Option Plans for Books, Records, Videos...

### *fast facts*

- If a book, audio or video club offers substantial savings on your first selections, be sure you understand how many additional selections you must buy at the club's regular prices.
- When you receive an announcement describing the club's latest selection, you have ten days to decide whether you want to receive it.
- If you have not had ten days to decide—and you receive an unwanted shipment—you can return it for a full credit to your account. The seller must guarantee return postage.

If you are looking for a convenient way to build your book, audio, or video collections, you may be eyeing advertisements that promise to deliver popular books, recordings, or films right to your door on a regular basis. Before signing up with any “club” that periodically delivers such merchandise — and uses a negative option plan — read the contract carefully.

This brochure describes how negative option plans work and explains your rights under the Federal Trade Commission's (FTC) Negative Option Rule. It also offers some tips to consider before subscribing to a negative option plan.

### How the Plan Works

An ad for a book, audio, or video club may read, “Five selections for \$1.00!” If you agree to accept the merchandise, you also may be agreeing to buy additional selections under the club's negative option plan.

Under a negative option plan, the seller periodically sends you announcements that describe the current selection and the newest offerings from the seller's inventory. Once you receive an announcement, you can decide whether you want to receive the selection or not.

If you want the selection, do nothing; the seller will ship it to you automatically. If you do *not* want the selection, you must tell the seller not to send it. You do this by returning the announcement card to the seller by a certain date.

You also may use the announcement card to order an alternate offering. Under the terms of your contract, you may be required to buy a certain number of selections over a specified period of time.

### What the Seller Must Tell You

Under the Negative Option Rule, sellers must clearly and conspicuously give you certain information about their plan in any promotional materials. For example, the seller must tell you:

***How many selections you must buy, if any***  
Sometimes sellers offer substantial discounts on your first selections, but then require you to buy a certain number of additional selections at the club's regular prices.

### ***How and when you can cancel your membership***

Once you have satisfied any minimum purchase requirements, you can cancel your club membership. After the seller receives your written request to cancel, your membership must be cancelled promptly.

### ***How to notify the seller when you do not want the selection***

Look for a “negative option” form that comes with, or is part of, an announcement telling you about the selection. Return this form to the seller to cancel shipment of the “selection,” or to choose a different offering.

### ***When to return the “negative option” form to cancel shipment of a selection***

You have ten days to decide whether you wish to receive the selection. The form will mention either a “return date,” which is the date the form must be received by the seller, or a “mailing date,” which is the date the form must be mailed to the seller.

### ***When you can get credit for the return of a selection***

If you have not had at least ten days to decide — and you receive an unwanted shipment — you can return the selection to the seller for a full credit to your account. The seller must guarantee return postage. The FTC’s Negative Option Rule also states that you are entitled to a credit when:

- The seller received your negative response by the “return date,” or you mailed the form before the “mailing date”
- The seller received your form after the “return date” but the form was postmarked at least three days before the “return date”

- The seller received a written letter cancelling your membership and you have completed the terms of your club membership. You only need to return the first selection that is sent after the seller receives your written cancellation notice. If the seller sends additional selections, you may consider them unordered merchandise and may keep them as a gift. However, in order to avoid dunning notices, it is best to inform the seller that you are no longer a member. Send the seller a copy of your letter cancelling the membership.

### ***How postage and handling costs are charged***

Postage and handling may be charged for each item that is shipped to you. The seller must disclose that you will be billed for postage and handling.

### ***How often you will receive announcements and forms***

The seller must tell you how often announcements and forms will be mailed to you. The seller also must specify the maximum number of announcements that will be sent in a 12-month period.

## **If the Seller Offers “Bonus” Merchandise**

To attract new subscribers, some sellers offer special introductory merchandise. Under the Rule, the seller must ship this merchandise within 30 days of receiving an order.

If the merchandise cannot be shipped due to circumstances beyond the seller’s control, the seller may offer an equivalent alternative. If you do not want to accept any substitutes, you have the option of cancelling your membership. The seller must comply with your cancellation request, as long as you return any other introductory merchandise you may have received.

## **How to Protect Yourself**

Although the negative option plan may offer “free” or “discounted” merchandise to new subscribers, be sure to consider the overall cost of the plan, including any shipping charges. If you are required to buy additional merchandise, you may want to compare the club’s regular prices against those of other sellers.

If you are unfamiliar with the seller, you may want to contact your local consumer protection agency or Better Business Bureau to find out if they have any information on the seller.

If you subscribe, keep copies of the seller's promotional materials as well as any "negative option" forms you return to the seller and the dates that you mail them.

### **If You Have a Complaint**

If you have a problem with your plan, try to resolve it with the seller. If that does not work, you can report any problems to the FTC. Contact the Consumer Response Center by phone, toll-free at 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, Washington, DC 20580; or by e-mail: use the complaint form at **www.ftc.gov**. Although the FTC usually does not intervene in individual cases, the information you provide may indicate a pattern of possible law violations requiring action by the Commission.

Further, if your problem involves a billing dispute with the seller and the payment was charged to a credit card, you may be able to resolve the dispute using the Fair Credit Billing Act (FCBA). To learn more about FCBA, ask for a free copy of the FTC's brochure, *Fair Credit Billing*. Write: Consumer Response Center, Federal Trade Commission, Washington, DC 20580. You also may write to this address to receive a free copy of *Best Sellers*, a listing of all the FTC's consumer publications.